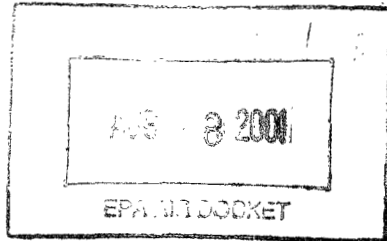


1220 L Street, Northwest  
Washington, D.C. 20005-4070  
202-682-8100

Red Cavaney  
President & CEO

A-2001-26  
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June 27, 2001

Honorable Christine Todd Whitman  
Administrator  
Environmental Protection Agency  
3000 Ariel Rios Federal Building  
1200 Pennsylvania Avenue, N.W.  
Washington, DC 20460

Honorable Spencer Abraham  
Secretary of Energy  
Department of Energy  
Forrestal Building  
1000 Independence Avenue, S.W.  
Washington, DC 20585

Dear Administrator Whitman and Secretary Abraham:

As you know, the petroleum industry is concerned about the proliferation of "boutique" gasolines in the US and the adverse effect they are having on our ability to provide consumers with readily available, reasonably priced gasoline. For that reason, we have requested a meeting with you to discuss what could be done to address this problem. In fact, the Environmental Protection Agency (EPA) recently asked API for its ideas on ways to address the problem. While we are engaged on the issue of gasoline boutique fuels, it is important to recognize that the same boutique issues are likely to affect diesel fuel in the near future. By recognizing the issue this early for diesel, we can work together to prevent the problems that have resulted from gasoline boutique fuels.

EPA is aware that some States have shown an interest in regulating diesel properties. In response to those initiatives, EPA has begun a process to estimate the emissions benefits of regulating diesel properties. API understands that EPA will release a draft report shortly that attempts to correlate diesel fuel properties with emissions (so-called Diesel Complex Model). This model is critical because States will use it to calculate potential emissions benefits. Thus, it must be properly developed and applied; if not, it may seriously impact the supply of diesel fuel in the states. The Administration recently recognized that the proliferation of boutique gasolines was a serious problem hindering the reliable supply and distribution of fuels. We are concerned that EPA appears to be heading down a path that may result in the proliferation of state boutique diesel fuels with potential consequences that could be similar to the current experience with gasoline. The diesel distribution system has nowhere near the same flexibility as the already overtaxed gasoline distribution system to accommodate multiple state-specific grades of fuel.

Honorable Christine Todd Whitman  
Honorable Spencer Abraham  
June 27, 2001  
Page 2

As we have indicated in recent comments on the Agency's proposal to approve the Texas Low Emissions Diesel (LED) fuel requirement, API supports states' efforts to attain the National Ambient Air Quality Standards (NAAQS).<sup>1</sup> (Attachment). However, we are deeply concerned that the availability of a model that may improperly correlate emissions with diesel fuel properties will serve only to encourage individual states to propose controls on diesel fuel as part of their SIP obligations. An inadequate model will lead to controls that are likely to be costly and ineffective. In addition, we want to emphasize, as we have in the past, that states should be aware of the effect an area-specific fuel could have on supply. As you know, the US fuel and refining distribution system is already stretched to its limits. Refineries are operating at near maximum of their rated capacity. As the petroleum industry prepares to comply with two major EPA rulemakings to make significant reductions in the sulfur content of both gasoline and diesel fuel, the potential for additional area-specific fuel requirements will only further constrain the distribution system and limit the ability to respond to unexpected disruptions in supply.

While EPA has not yet published the draft report, it has made the database that underlies the study available for public review. We are deeply concerned that EPA is using an extremely small data set to represent the influence of diesel fuel properties on emissions from the on-road fleet of heavy-duty diesel vehicles. Many diesel engine technologies in the on-road fleet have been represented in the EPA database by only one or two data points. Furthermore, the database contains no information at all with respect to the influence of those future emission control technologies which EPA expects to be enabled and introduced as a result of its recently promulgated rule for 2007 model year heavy-duty engines and highway diesel sulfur content.

API also has heard that EPA intends to set an extremely short deadline of three to six weeks for the submission of public comments on the draft document. Such a short comment period would be unacceptable. Based on our experience with the development of the Federal Complex Model for Reformulated Gasoline (RFG) ten years ago, a three to six week comment period is inadequate and unrealistic. This effort to develop a model to estimate the emissions performance of one of our industry's major products should not be rushed. Three to six weeks is not sufficient time to develop the statistical assessments necessary to properly peer review a model that has huge potential for significantly impacting a major product of our industry. The Complex Model for RFG involved extensive interaction between EPA, industry and other stakeholders, and the holding of a number of public workshops to exchange technical input and constructive comment. That model development process lasted for two years, and the model underwent several iterations, reflecting the incorporation of statistical assessments by industry, government, and other stakeholders, before becoming final.

If EPA is to abide by the principles of sound scientific inquiry in developing a similar model for diesel fuel, it should provide a minimum of 90 days for proper peer review.

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<sup>1</sup> Letter from Dr. Edward Murphy, API, to Mr. Thomas H. Diggs, US EPA, Region 6, dated May 23, 2001

Honorable Christine Todd Whitman  
Honorable Spencer Abraham  
June 27, 2001  
Page 3

Again, we are very concerned with EPA's apparent rush to finalize this model without adequate time for meaningful comment and without considering the long-term implications of its actions on fuel supply.

Please do not hesitate to contact me or Ed Murphy of my staff (202-682-8150) if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Red Cavaney', with a stylized, cursive script.

Red Cavaney

Attachment

c: Robert D. Brenner, Assistant Administrator for Air and Radiation  
James Connaughton, Chairman, White House Council on Environmental Quality  
Margo Oge, Director, EPA Office of Transportation and Air Quality